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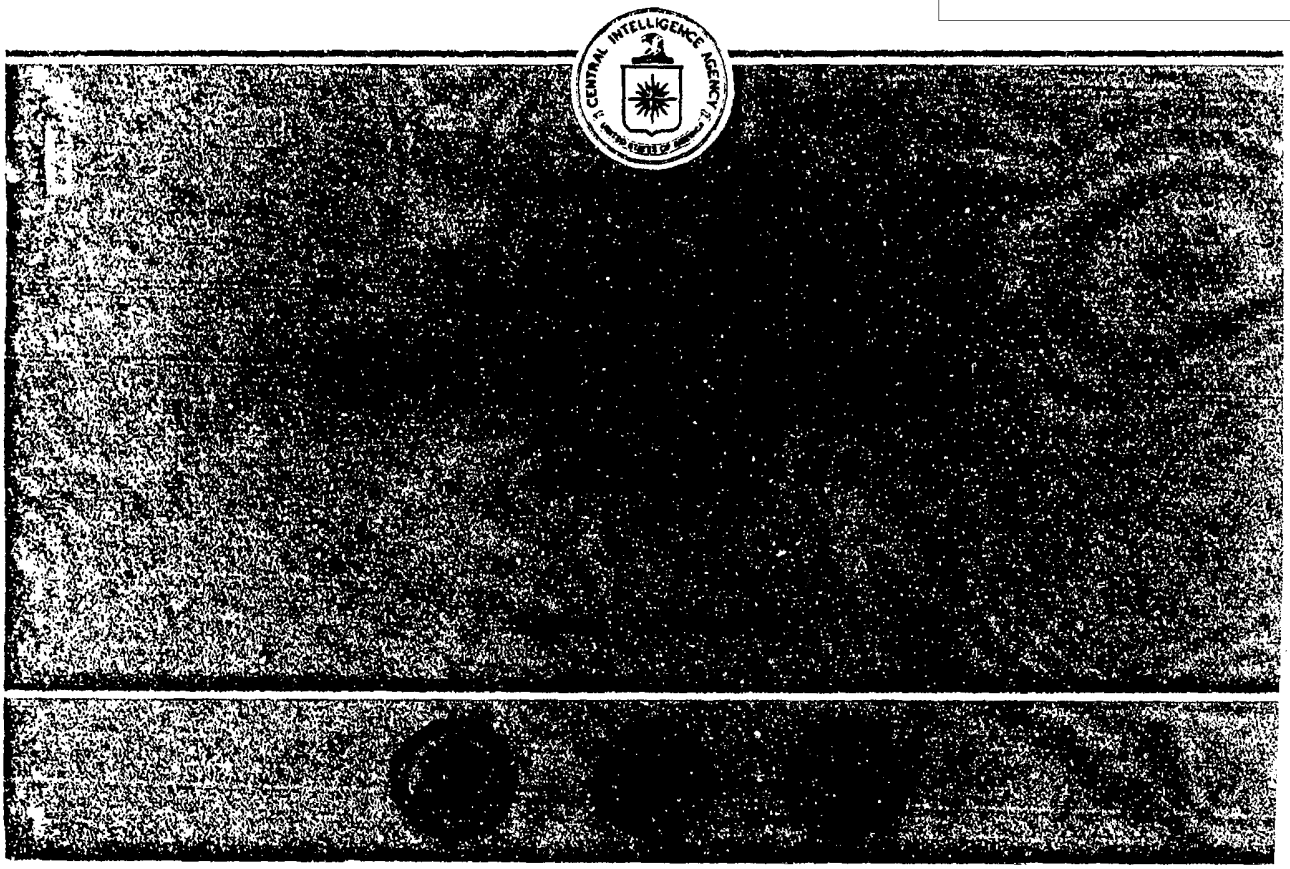

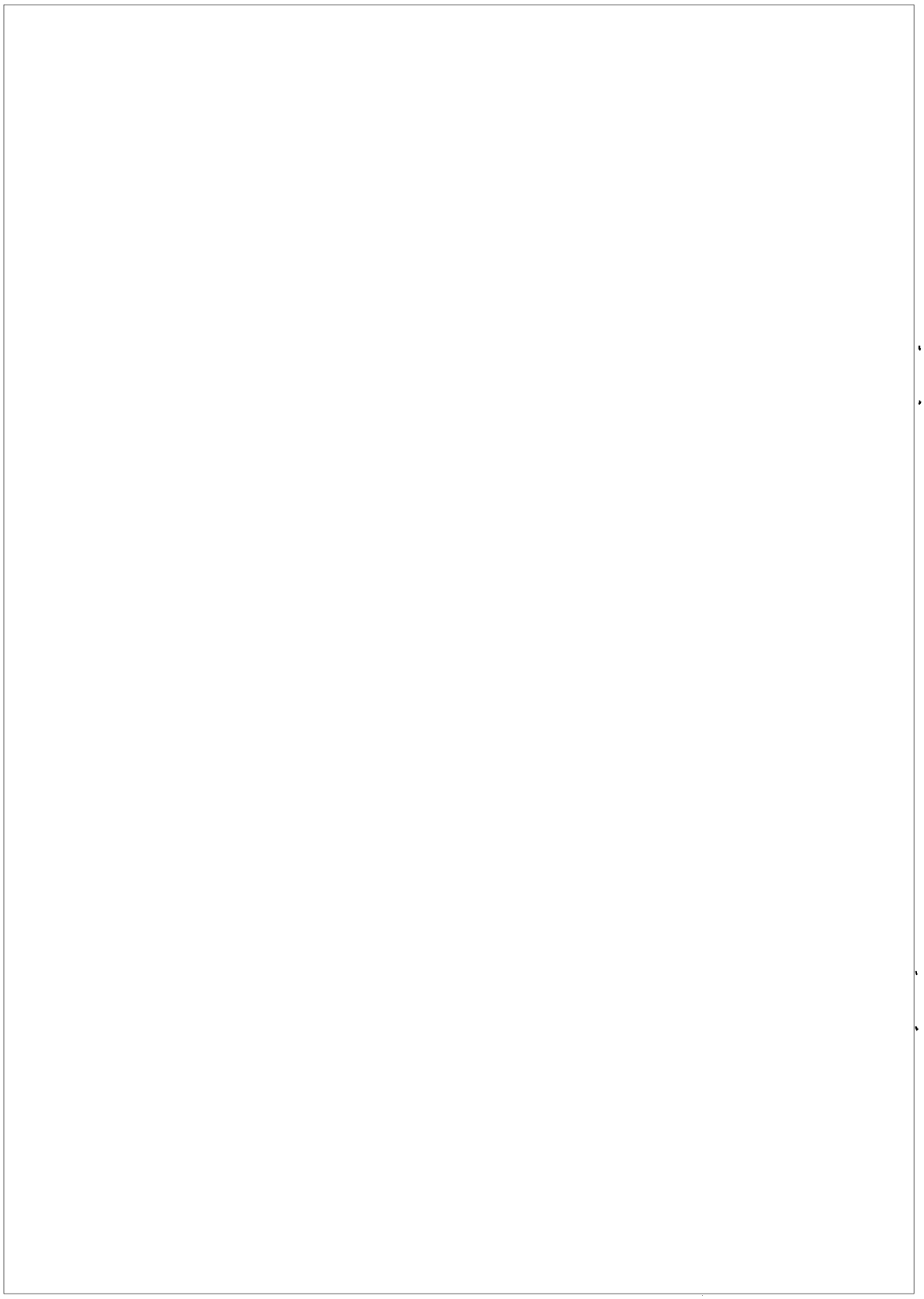

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Contents

	Romania: Demonstrators Challenge Regime	1
	USSR: Landsbergis Upbeat on Ending Deadlock	2
	: Legislature Wants Economic Reforms Beefed Up	3
	Algeria: Fundamentalists Win Local Elections	6
Notes	**USSR:** Trying To Shape the Debate in CSCE	8
	Yugoslavia: Opposition Pressing for Serbian Election	9
	West Germany: Lafontaine Stays in Race	9
In Brief		11
Special Analyses	**USSR:** Nationalities Challenge Intensifies	12

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ROMANIA: **Demonstrators Challenge Regime**

The situation now appears to be under control in Bucharest following the worst violence since December's revolution.

The violence was triggered by the government's use of force to end the seven-week-long occupation of a downtown square by protesters. Crowds swelled to nearly 10,000 yesterday, but troops eventually retook the square. The protesters briefly occupied the television station and set fire to the police station. They attempted to storm the Interior Ministry, but government forces are now in control of the building. Additional demonstrations have begun in Timisoara and other cities, according to unconfirmed press reports.

President Iliescu is calling the violence a "well-prepared" attempt to overthrow the government and is urging citizens to protect government buildings. According to press reports, trainloads of miners who broke up demonstrations in January have arrived in the city, and several thousand took over the center of Bucharest early today. The Defense Ministry says tanks, accompanied by heavily armed troops, have moved into key positions there.

Comment: The potential for further violence is high. Clashes between miners and protesters could produce many casualties and set back the regime's efforts to establish its legitimacy and obtain foreign aid. Reliance on the miners to clear the streets is another potential risk for the government. The miners are an undisciplined force, and their loyalties could waver if they find themselves facing other workers as well as students.

If the demonstrations continue and begin to spread, Iliescu will have few options other than resigning or escalating the use of force. Violent confrontations with protesters could test the loyalties of the military. Many junior officers are strongly anti-Communist and critical of the government. Minister of Defense Stanculescu appears to have gone out of his way to retain their favor.

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USSR: **Landsbergis Upbeat on Ending Deadlock**

Remarks yesterday by Lithuanian President Landsbergis suggest he now has at least some confidence that Gorbachev is prepared to be flexible in accommodating Lithuanian interests, but neither side has indicated how it expects to reach agreement.

Describing the three Baltic leaders' meeting Tuesday with Soviet President Gorbachev, Lithuanian President Landsbergis yesterday told the republic parliament that Gorbachev wants to find a mutually acceptable solution to the Lithuanian stalemate and is insisting that the republic only formally freeze its independence declaration and legislation, according to a sketchy Lithuanian radio account. Landsbergis urged the parliament to try to meet this requirement.

After meeting yesterday with Soviet Premier Ryzhkov, Lithuanian Premier Prunskiene told TASS that they had discussed the preconditions for Moscow's lifting the economic blockade and that the Lithuanian leadership should very carefully consider suspending its independence declaration. She noted that Moscow had agreed to partially increase supplies of natural gas to Lithuania, provide previously embargoed raw materials to some republican enterprises, and will consider renewing supplies of fuel to agriculture.

Comment: Landsbergis's remarks suggest he has at least some confidence that Gorbachev is open to a solution that will allow the Lithuanians to negotiate their independence with Moscow without, in practice, subjecting themselves to the Soviet Constitution, including the law on secession. The republic parliament is likely to examine ways soon to formally suspend its independence declaration and subsequent acts. Landsbergis and others, however, will probably want a firm guarantee from Gorbachev protecting them against subordination to Soviet law before following through.

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USSR: Legislation That Would Implement Economic Reform

— Free economic activity and entrepreneurship

— Antimonopoly legislation

— Foreign investment in the USSR

— Foreign economic activity

— Payment of taxes in kind in agriculture

— Income indexation geared to consumer price increases

— Employment

— Banking

— Customs

— Creation of a stock market

— Transfer to wholesale trade

— Development of small businesses

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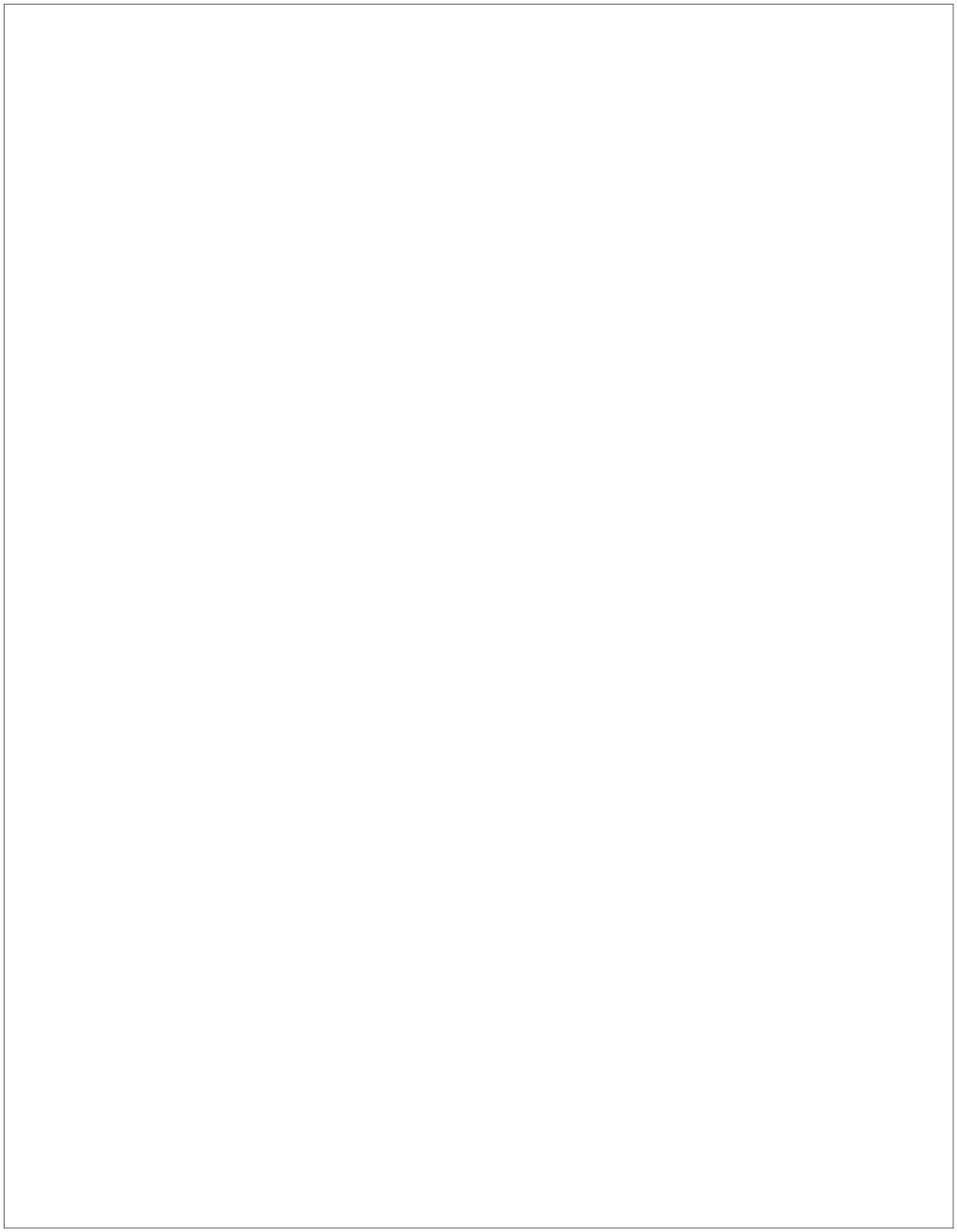
USSR: **Legislature Wants Economic Reforms Beefed Up**

The Supreme Soviet yesterday passed a resolution that withholds its support of the government's economic program until bolder implementing laws are prepared but stopped short of endorsing a bold approach to pricing.

The resolution orders that the new implementing legislation be completed by 1 September; that the government reduce the deficit by cutting expenditures on defense, construction, and the state apparatus; and that new proposals be prepared to streamline the state bureaucracy. It also calls on the President to speed up the reform process by issuing decrees that order the implementation of previously passed laws on property, land, and leasing as early as next month. Citing heated disputes, the legislature postponed until today its vote on a separate resolution that would triple the price of bread. During the presentation of the resolution, it was made clear there would be no referendum on the proposed retail price increases.

Comment: The call for quick moves to cut the bureaucracy and bring down the deficit is bolder than the original program, but reformers' pleas to move more quickly to free market pricing have apparently not been heeded. In fact, the Supreme Soviet is reluctant to approve the resolution to increase state-set prices for bread products and postponed the vote on it because deputies demanded that republic parliaments approve them.

By withholding approval of the program until they see the laws and decrees that will implement it, the deputies have signaled their determination to play a larger oversight role in the reform process in an effort to keep it from foundering like the program they approved last December.



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ALGERIA: **Fundamentalists Win Local Elections**

Preliminary results indicate Algeria's Islamic Salvation Front won an overall victory in Tuesday's local council elections, ushering in a period of political change and possibly instability.

The Islamic Front appears to have defeated 11 other parties and numerous independents in Algeria's first multiparty elections since independence in 1962. The ruling National Liberation Front (FLN) appears to have finished second.

Voter turnout was in the 50-to-60-percent range, and several groups boycotted the election. Islamic leader Madani has warned that violence will erupt if election results are falsified.

Comment: The Islamic Front has gained political stature with its strong showing; how much legal authority the local councils have is unclear. The fundamentalists' victory will be a rude shock to the FLN, which led the fight for independence and has ruled since.

Tensions almost certainly will rise now between the FLN's quarreling conservative and reformist wings. To retain power and salvage his reform program, President Bendjedid might abandon the party to form a reform-oriented coalition of his supporters and possibly other parties.

The Islamic Front will presumably press harder for dissolution of the National Assembly and for a national election—now scheduled for 1992. The military, wary of the fundamentalists, will closely monitor how Bendjedid handles domestic order if political reforms lead to factional violence.

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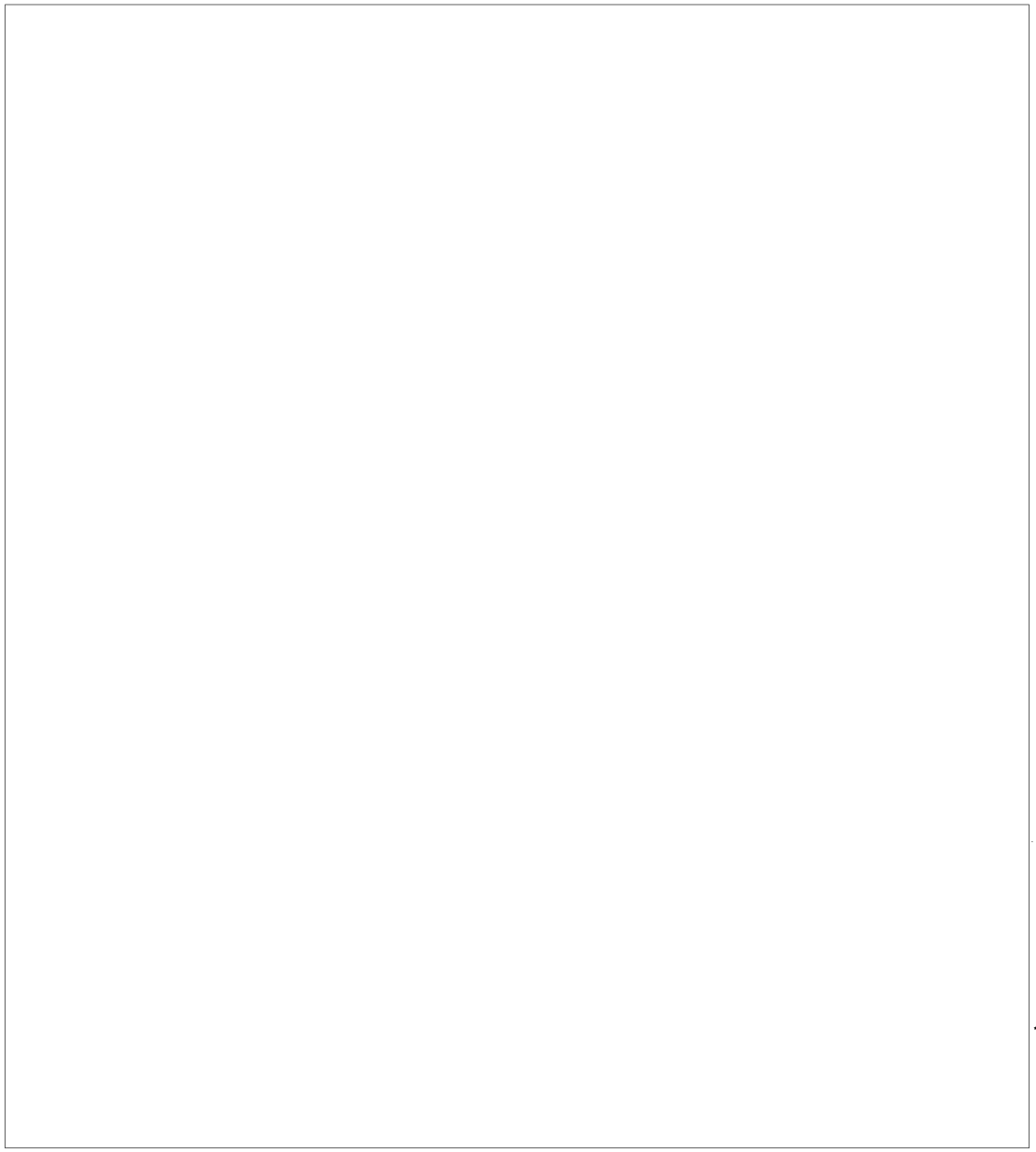

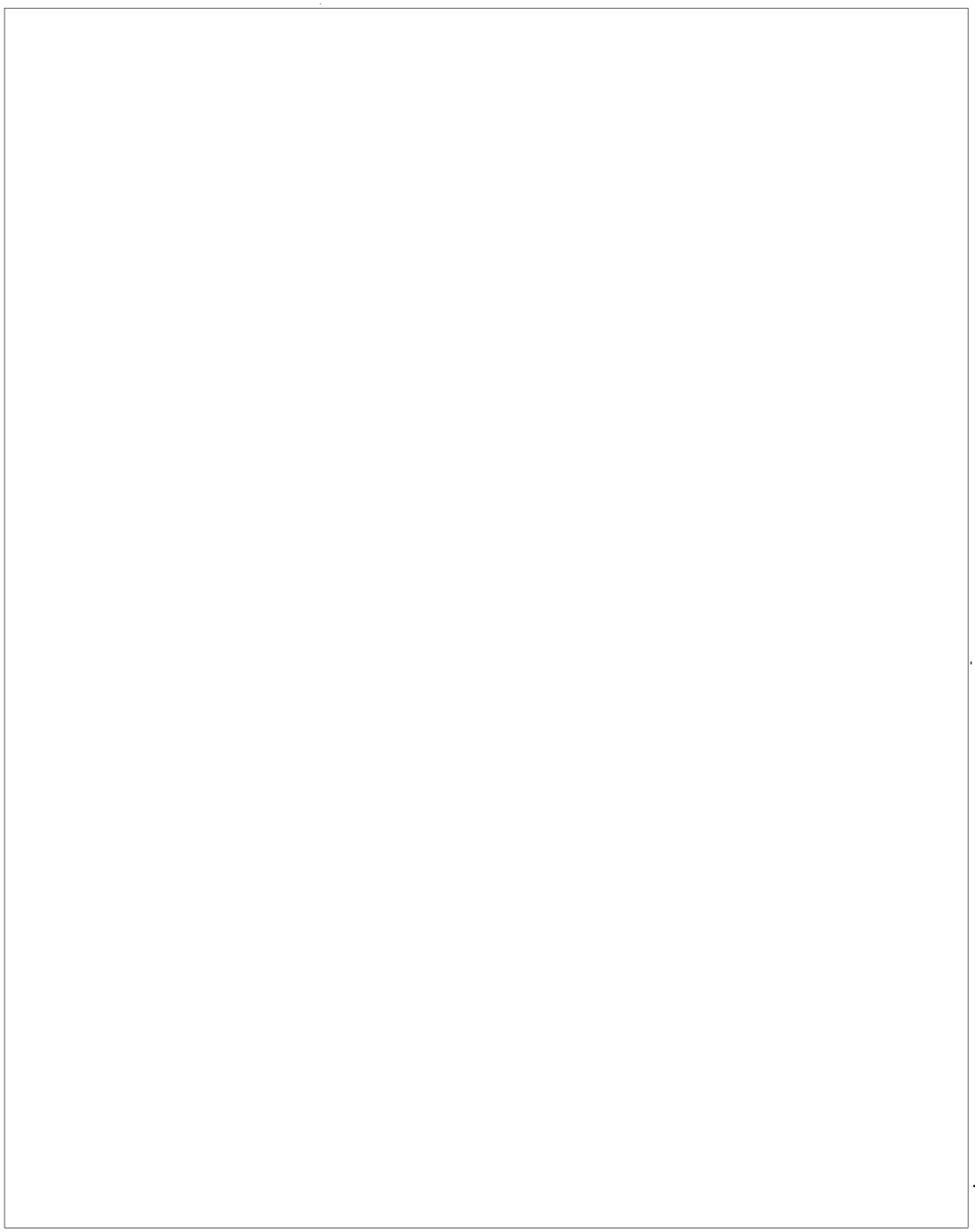

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West Taking Unified But Nonconfrontational Stance Toward Soviets

Although ethnic minorities are a central issue at Copenhagen, the West has been reluctant to challenge Moscow openly on the Baltic republics and has avoided a floor debate on a request from them for observer status. Cohesiveness among European Community members poses a greater challenge to Moscow; the 12 are acting strongly as a bloc, cosponsoring proposals and making it difficult for individual nations to pursue their own agendas.

USSR: Trying To Shape the Debate in CSCE

Moscow regards the CSCE Conference on the Human Dimension in Copenhagen this month as an important preparation for the planned all-European summit in December. The Soviets are seeking to cast themselves as leaders in implementing CSCE human rights standards, to maintain the momentum toward a human rights conference in Moscow next year, and to encourage the creation of permanent CSCE structures. They are also promoting their proposal for establishing Europe-wide standards of judicial practice.

Comment: The Soviets have tried to play an active role in other recent CSCE conferences, believing CSCE institutions will help protect their interests in Europe once Germany is unified and the Warsaw Pact no longer furthers Soviet influence. They probably regard the current meeting as a success already because it has adopted a mandate for a summit preparatory conference next month. In Copenhagen, the Soviets have supported a Danish proposal for a permanent Committee on the Human Dimension as a means of promoting their drive to institutionalize CSCE. Moscow values the precedent such a committee would set as the first permanent CSCE organization.

YUGOSLAVIA: Opposition Pressing for Serbian Election

Serbian anti-Communists yesterday staged a mostly peaceful mass demonstration in Belgrade demanding Serbian Republic President Milosevic schedule a free election this year. Police later in the day, however, used truncheons to disperse small groups of demonstrators gathered around a television station. Vuk Draskovic, leader of the ultranationalist Serbian Renewal Movement, and other opposition leaders delivered a petition to the federal legislature calling for a constitutional roundtable between opposition and Communist leaders. Serbian authorities continue to insist an election be delayed until after the new Serbian constitution is adopted next year.

Comment: Milosevic probably will soon give in to the growing popular pressure for an early multiparty election, seeing that a crackdown on the opposition or other resistance would further jeopardize his electoral chances. Draskovic's Serbian Renewal Movement, which advocates restoration of a "Greater Serbia" outside the Yugoslav federation, has been encouraged by recent elections of nationalist parties in Slovenia and Croatia and by growing discontent in Serbia over the deteriorating economy. His emergence as the Communists' most serious rival portends a campaign dominated by nationalistic rhetoric that will widen the rift between Serbia and Yugoslavia's other republics.

WEST GERMANY: Lafontaine Stays in Race

Social Democrat Oskar Lafontaine has backtracked and will remain a candidate for chancellor despite his party's acceptance of the intra-German treaty on economic union. He also now says he will run even if the December race is an all-German vote, as Chancellor Kohl desires. Lafontaine predicts the treaty will wreak economic havoc in both Germanys. The Kohl government has given the Social Democrats (SPD) "clarifications" about the treaty's social and environmental implications but refused to change the text.

Comment: The SPD capitulation shows Kohl's leadership on the unification process and Lafontaine's lack of control over his own party's policy. The SPD has focused its appeal to West German voters on the social and economic costs of rapid unity, and in an all-German vote Lafontaine would be open to charges of hypocrisy if he also tells East Germans Bonn should give them more assistance.

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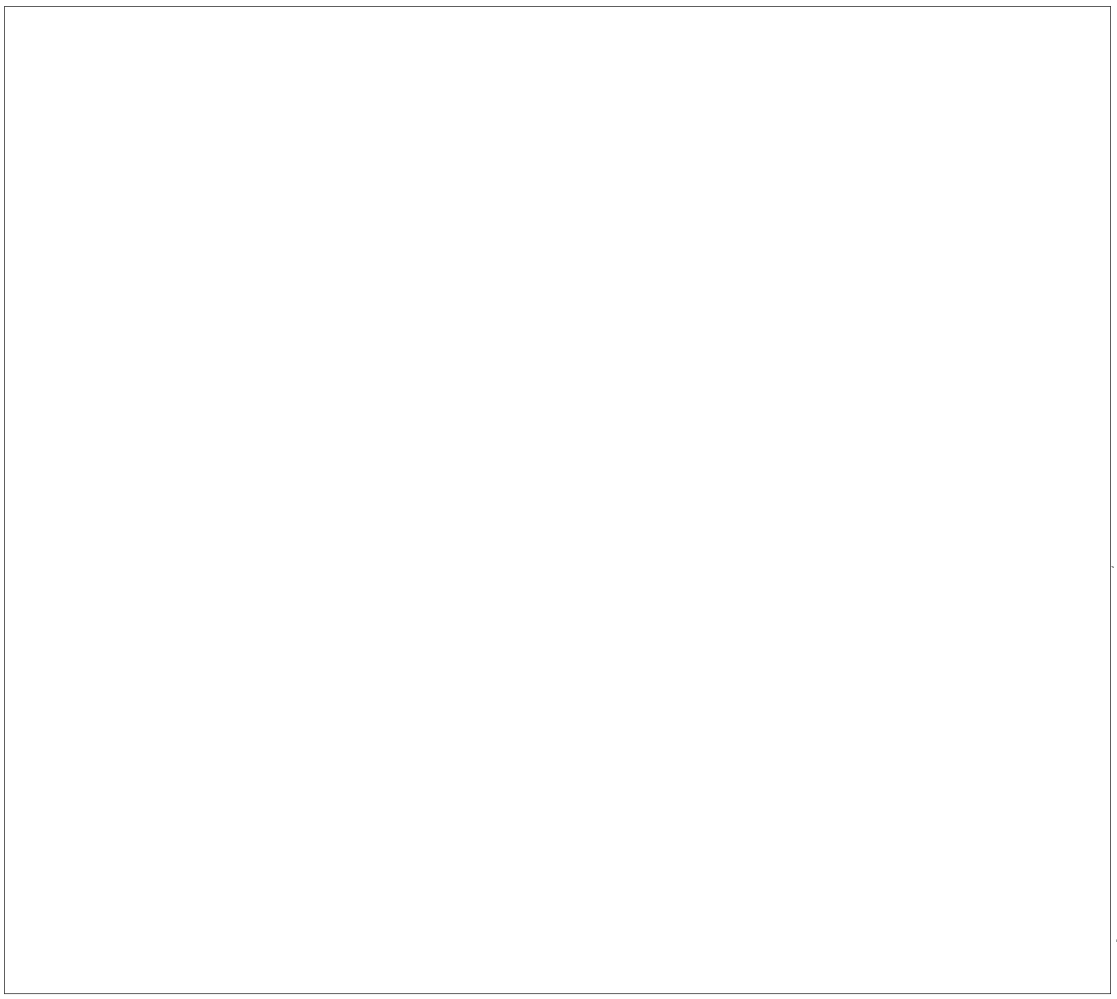

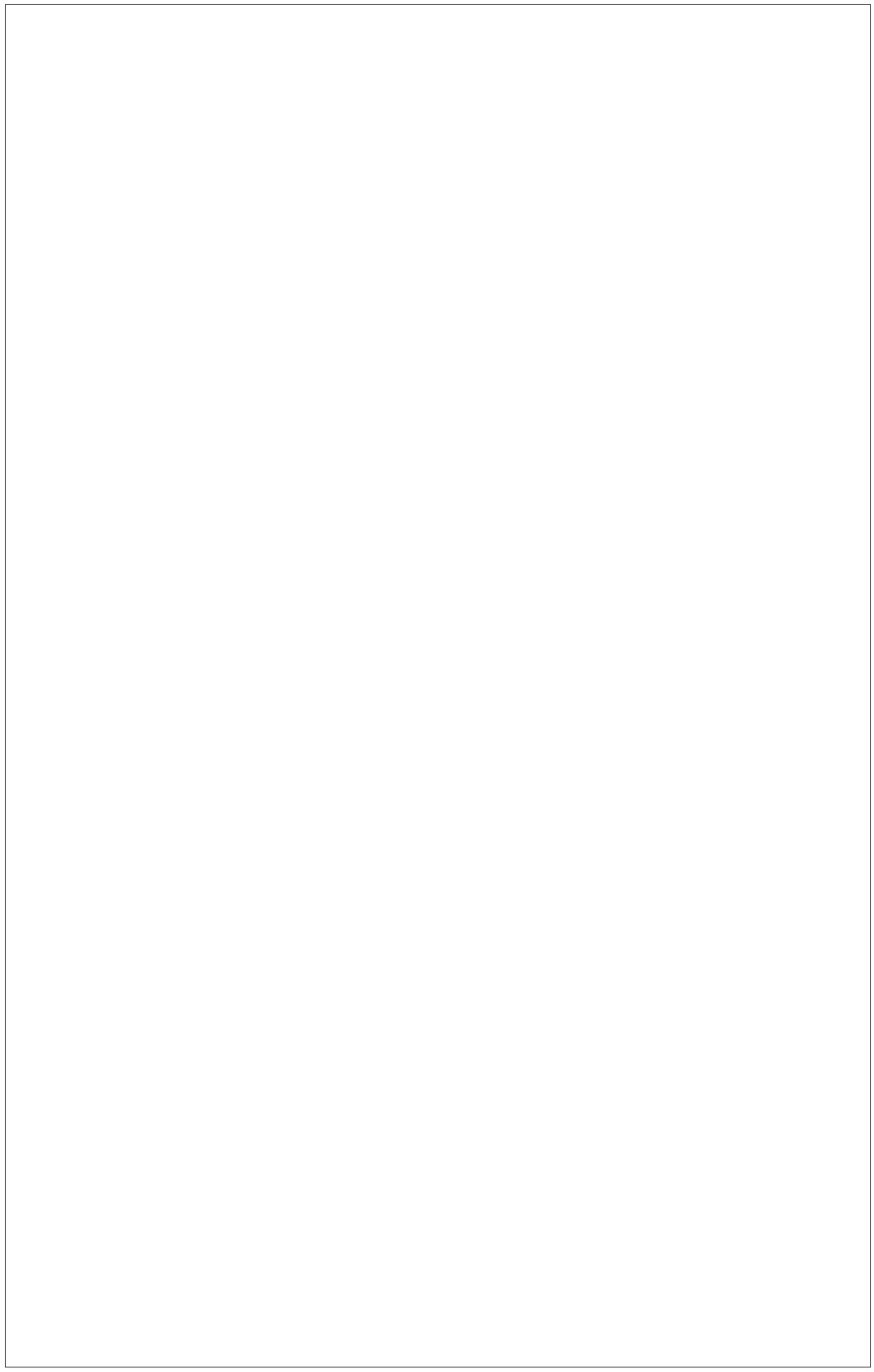

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In Brief

East Asia

—**China** this week replaced three vice ministers for cultural, media affairs, named new vice director of New China News Agency in **Hong Kong** . . . hardliners trying to control reformist intellectuals, curb dissent.

Middle East

—**Israeli** press reports Histadrut labor federation staging one-day national strike today . . . protesting government, industrial negotiators' failure to conclude new wage agreements . . . probably will shut down most public services.

South Asia

—Fighting between **Sri Lankan** forces, Tamil militants continuing, . . . up to 200 deaths since Sunday, 90 captured policemen possibly massacred . . . Army short of ammunition, withdrawing from some positions.

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Special Analysis

USSR: **Nationalities Challenge Intensifies**

As pressures for greater autonomy and independence from Moscow grow throughout the USSR, President Gorbachev Tuesday outlined his boldest vision yet of a new more loosely structured Soviet federation that he reportedly said will allow republics "confederal, comparatively free ties" to central authorities. It is not yet clear, however, whether he is prepared to sanction the bold moves toward a loose confederal structure that are needed if the union is to hold together.

Georgia is the only republic moving quickly toward a Baltic-style bolt for independence, but secessionist forces in several republics are making gains. The popular movement in the Ukraine, Rukh, which supports independence, now controls a third of the republic legislature as well as the soviets (councils) in several key cities.

A potentially more daunting challenge for Moscow is the burgeoning move by a number of republics—including those that form the core of the USSR—to greatly increase their autonomy within the union. On Tuesday the Congress of People's Deputies of the Russian Republic passed a declaration of sovereignty, although the deputies voted down proposals to give it immediate legal force. Ukrainian party boss Ivashko, who was elected chairman of the republic Supreme Soviet last week, has told legislators that he supports "sovereignty" for his republic.

Even in tradition-bound Central Asia, leaders are beginning to assert more local autonomy. In the boldest gesture so far by a Central Asian Communist party, the Uzbek party congress has called for political and economic sovereignty for the republic within a confederated USSR. Along with economic hardship and overpopulation, growing nationalism and ethnic awareness in the region are combining to produce interethnic clashes between Kirghiz and Uzbeks.

Gorbachev's Strategy

Gorbachev is hoping to curb the rush toward outright independence by underscoring the costs and by using intimidation tactics in the Baltics as well as the law on secession, which envisions burdensome procedures for republics seeking to break away. At the same time, he hopes to negotiate power-sharing treaties with each republic that will satisfy secessionists and republics seeking only greater autonomy. In an address Tuesday to the Federation Council, a presidential

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advisory body, Gorbachev said that the new treaty arrangement would allow republics to establish confederal, comparatively free ties to central authorities, according to Gorbachev's press spokesman Maslennikov.

Maslennikov likened the new status to that enjoyed by the former Georgian state and to Finland during the 19th and early 20th centuries when it had independent economic, legislative, and legal systems but looked to Moscow for foreign affairs and defense. The Federation Council created a working group to draft the new treaty structure Gorbachev outlined.

Outlook

For now Gorbachev is unlikely to more than muffle the pressures for independence and greater autonomy. If Gorbachev continues to take a firm stand in the Baltic republics, secessionists in Georgia and other republics may turn to more cautious tactics without altering their long-term goals. But some nationalist groups might react to a deepening Baltic crisis by intensifying their autonomy drives, out of both opportunism and solidarity with the Balts.

If Gorbachev can translate the vision of the new union he presented Tuesday into a new treaty structure that the republics believe will deliver them substantial autonomy—or in the case of some republics near independence—then he may be able to keep the union together. Even Lithuanian President Landsbergis expressed interest in the union Gorbachev outlined, according to Soviet press reports. Because the Russian Republic's declaration has not yet taken legal force, it could be softened in response to a favorable treaty.

If the framework for a renewed federation does not meet the growing demands of the republics, then the RSFSR and several other republics will probably move unilaterally to give their sovereignty legal force. Moreover, secessionist pressure in all republics will intensify and the Baltic republics and at least Georgia will redouble their efforts to break away rapidly.

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